3:12-CV-1527-JSC
ADR ECF

JS 44 (Rev. 12/07) (CAND Rev. 1/10)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON PAGE TWO OF THE FORM.)

I. (a) PLAINTIFFS
CORNERSTONE STAFFING SOLUTIONS, INC., A CALIFORNIA CORPORATION

DEFENDANTS
LARRY THAXTER JAMES, AN INDIVIDUAL; *ET AL.* (SEE ATTACHMENT A FOR A COMPLETE LIST OF ALL DEFENDANTS).

(b) County of Residence of First Listed Plaintiff (EXCEPT IN U.S. PLAINTIFF CASES)
ALAMEDA

County of Residence of First Listed Defendant ALAMEDA
(IN U.S. PLAINTIFF CASES ONLY)
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

(c) Attorney's (Firm Name, Address, and Telephone Number)
NEIL D. MARTIN / CLAYTON J. HIX
HILL, FARRER & BURRILL LLP
300 SOUTH GRAND AVENUE, 37TH FLOOR
LOS ANGELES, CA 90071
(213) 620-0460

Attorneys (If Known)

ORIGINAL

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- [ ] 1 U.S. Government Plaintiff
- [X] 3 Federal Question (U.S. Government Not a Party)
- [ ] 2 U.S. Government Defendant
- [ ] 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant) (For Diversity Cases Only)

	PTF	DEF		PTF	DEF
Citizen of This State	☐ 1	☐ 1	Incorporated *or* Principal Place of Business In This State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☐ 2	Incorporated *and* Principal Place of Business In Another State	☐ 5	☐ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT
- [ ] 110 Insurance
- [ ] 120 Marine
- [ ] 130 Miller Act
- [ ] 140 Negotiable Instrument
- [ ] 150 Recovery of Overpayment & Enforcement of Judgment
- [ ] 151 Medicare Act
- [ ] 152 Recovery of Defaulted Student Loans (Excl. Veterans)
- [ ] 153 Recovery of Overpayment of Veteran's Benefits
- [ ] 160 Stockholders' Suits
- [ ] 190 Other Contract
- [ ] 195 Contract Product Liability
- [ ] 196 Franchise

REAL PROPERTY
- [ ] 210 Land Condemnation
- [ ] 220 Foreclosure
- [ ] 230 Rent Lease & Ejectment
- [ ] 240 Torts to Land
- [ ] 245 Tort Product Liability
- [ ] 290 All Other Real Property

TORTS

PERSONAL INJURY
- [ ] 310 Airplane
- [ ] 315 Airplane Product Liability
- [ ] 320 Assault, Libel & Slander
- [ ] 330 Federal Employers' Liability
- [ ] 340 Marine
- [ ] 345 Marine Product Liability
- [ ] 350 Motor Vehicle
- [ ] 355 Motor Vehicle Product Liability
- [ ] 360 Other Personal Injury

PERSONAL INJURY
- [ ] 362 Personal Injury - Med. Malpractice
- [ ] 365 Personal Injury - Product Liability
- [ ] 368 Asbestos Personal Injury Product Liability

PERSONAL PROPERTY
- [ ] 370 Other Fraud
- [ ] 371 Truth in Lending
- [ ] 380 Other Personal Property Damage
- [ ] 385 Property Damage Product Liability

CIVIL RIGHTS
- [ ] 441 Voting
- [ ] 442 Employment
- [ ] 443 Housing/ Accommodations
- [ ] 444 Welfare
- [ ] 445 Amer. w/Disabilities - Employment
- [ ] 446 Amer. w/Disabilities - Other
- [ ] 440 Other Civil Rights

PRISONER PETITIONS
- [ ] 510 Motions to Vacate Sentence
- Habeas Corpus:
- [ ] 530 General
- [ ] 535 Death Penalty
- [ ] 540 Mandamus & other
- [ ] 550 Civil Rights
- [ ] 555 Prison Condition

FORFEITURE/PENALTY
- [ ] 610 Agriculture
- [ ] 620 Other Food & Drug
- [ ] 625 Drug Related Seizure of Property 21 USC 881
- [ ] 630 Liquor Laws
- [ ] 640 R.R. & Truck
- [ ] 650 Airline Regs.
- [ ] 660 Occupational Safety/Health
- [ ] 690 Other

LABOR
- [ ] 710 Fair Labor Standards Act
- [ ] 720 Labor/Mgmt. Relations
- [ ] 730 Labor/Mgmt. Reporting & Disclosure Act
- [ ] 740 Railway Labor Act
- [ ] 790 Other Labor Litigation
- [ ] 791 Empl. Ret. Inc. Security Act

IMMIGRATION
- [ ] 462 Naturalization Application
- [ ] 463 Habeas Corpus - Alien Detainee
- [ ] 465 Other Immigration Actions

BANKRUPTCY
- [ ] 422 Appeal 28 USC 158
- [ ] 423 Withdrawal 28 USC 157

PROPERTY RIGHTS
- [ ] 820 Copyrights
- [ ] 830 Patent
- [ ] 840 Trademark

SOCIAL SECURITY
- [ ] 861 HIA (1395ff)
- [ ] 862 Black Lung (923)
- [ ] 863 DIWC/DIWW (405(g))
- [ ] 864 SSID Title XVI
- [ ] 865 RSI (405(g))

FEDERAL TAX SUITS
- [ ] 870 Taxes (U.S. Plaintiff or Defendant)
- [ ] 871 IRS - Third Party 26 USC 7609

OTHER STATUTES
- [ ] 400 State Reapportionment
- [ ] 410 Antitrust
- [ ] 430 Banks and Banking
- [ ] 450 Commerce
- [ ] 460 Deportation
- [X] 470 Racketeer Influenced and Corrupt Organizations
- [ ] 480 Consumer Credit
- [ ] 490 Cable/Sat TV
- [ ] 810 Selective Service
- [ ] 850 Securities/Commodities/ Exchange
- [ ] 875 Customer Challenge 12 USC 3410
- [ ] 890 Other Statutory Actions
- [ ] 891 Agricultural Acts
- [ ] 892 Economic Stabilization Act
- [ ] 893 Environmental Matters
- [ ] 894 Energy Allocation Act
- [ ] 895 Freedom of Information Act
- [ ] 900 Appeal of Fee Determination Under Equal Access to Justice
- [ ] 950 Constitutionality of State Statutes

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V. ORIGIN (Place an "X" in One Box Only)

- [X] 1 Original Proceeding
- [ ] 2 Removed from State Court
- [ ] 3 Remanded from Appellate Court
- [ ] 4 Reinstated or Reopened
- [ ] 5 Transferred from another district (specify)
- [ ] 6 Multidistrict Litigation
- [ ] 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION
Cite the U.S. Civil Statute under which you are filing (**Do not cite jurisdictional statutes unless diversity**):
18 U.S.C. § 1961 *ET SEQ.*; AND 18 U.S.C. § 1030
Brief description of cause:
DEFENDANTS ARE ENGAGED IN NATIONWIDE RACKETERRING ACTIVITIES

VII. REQUESTED IN COMPLAINT: ☐ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23
DEMAND $ 10,000,000+ [X] CHECK YES only if demanded in complaint:
JURY DEMAND: [X] Yes ☐ No

VIII. RELATED CASE(S) IF ANY PLEASE REFER TO CIVIL L.R. 3-12 CONCERNING REQUIREMENT TO FILE "NOTICE OF RELATED CASE".

IX. DIVISIONAL ASSIGNMENT (CIVIL L.R. 3-2) (PLACE AND "X" IN ONE BOX ONLY) [X] SAN FRANCISCO/OAKLAND ☐ SAN JOSE ☐ EUREKA

FAXED

DATE
MARCH 27, 2012

SIGNATURE OF ATTORNEY OF RECORD

E-filing

ORIGINAL

HILL, FARRER & BURRILL LLP
Neil D. Martin (Bar No. 094121)
Email: nmartin@hillfarrer.com
Clayton J. Hix (Bar No. 236718)
Email: chix@hillfarrer.com
One California Plaza, 37th Floor
300 South Grand Avenue
Los Angeles, CA 90071-3147
Telephone: (213) 620-0460
Fax: (213) 624-4840

Attorneys for Plaintiff
CornerStone Staffing Solutions, Inc.

FILED
MAR 27 2012
RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND

ADR

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT—OAKLAND DIVISION

CORNERSTONE STAFFING SOLUTIONS, INC., a California corporation,

Plaintiff,

vs.

LARRY THAXTER JAMES, an individual; DAVID R. BATTON, an individual; TED MANNELLO, an individual; ANDRE DOUZDJIAN, an individual; MICHAEL SANTOS, an individual; MARCOS BARRERA, an individual; BATTON TECHNICAL ENGINEERING CONSULTANTS, INC., a Michigan corporation; BATTON DIVERSIFIED STAFFING SOLUTIONS, a Michigan corporation; HANBON-CARO I, LLC, a Michigan limited liability company a/k/a CARO I, LLC; HANBON -- MI I, LLC, a Michigan limited liability company d/b/a TECHNICAL ENGINEERING CONSULTANTS; HANBON -- MI II, INC., a Michigan corporation d/b/a BATTON TECHNICAL ENGINEERING CONSULTANTS; HANBON -- MARLETTE, LLC, a Michigan limited liability company; HANBON -- PA I, LLC, a Pennsylvania limited liability company; HANBON - CT I, LLC, a

CASE NO. C12-01527 JSC

COMPLAINT

1 - UNDER THE RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS ACT (18 U.S.C. § 1962);

2. - UNDER THE COMPUTER FRAUD AND ABUSE ACT (18 U.S.C. § 1030)

3 - PENDENT STATE CLAIMS FOR BREACH OF FIDUCIARY DUTY, USURPATION OF CORPORATE OPPORTUNITY, FRAUD, INTENTIONAL INTERFERENCE WITH CONTRACTUAL RELATIONS, CONVERSION, UNFAIR COMPETITION, AND MISAPPROPRIATION OF TRADE SECRETS

DEMAND FOR JURY TRIAL

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

Connecticut limited liability company; TEC GROUP, INC., a Michigan corporation d/b/a TEC GROUP also d/b/a TEC-CHRYSLER; DEPLOY HR, INC., Pennsylvania corporation d/b/a DEPLOY HR STAFFING, INC.; DEPLOYHR, INC., a California corporation d/b/a TEC also d/b/a BATTON; and DOES 1-100.

Defendants.

CornerStone Staffing Solutions, Inc., a California Corporation ("CornerStone"), for its complaint alleges as follows:

NATURE OF THE ACTION

1. This action arises from a nationwide scheme in which Defendant Larry T. James set about to steal customers, employees, revenues, and the entire business of CornerStone through false representations to the owner of CornerStone and by conspiring with other individuals to set up a national network of competitor businesses to siphon off the business of and to replace CornerStone.

PARTIES

2. Plaintiff CornerStone is a California corporation with its principal place of business in Pleasanton, California.

3. Defendant Larry Thaxter James ("James") is an individual who resides the city of Pleasanton, State of California.

4. Defendant David R. Batton ("Batton") is an individual who, plaintiff is informed and believes, resides in the State of Michigan.

5. Defendant Ted Mannello ("Mannello") is an individual who, plaintiff is informed and believes, resides in the state of Connecticut.

6. Defendant Andre Douzdjian ("Douzdjian") is an individual who,

plaintiff is informed and believes, resides in San Diego County, California.

7. Defendant Michael Santos ("Santos") is an individual who, plaintiff is informed and believes, resides in San Diego County, California.

8. Defendant Marcos Barrera ("Barrera") is an individual who, plaintiff is informed and believes, resides in Pleasanton, California.

9. Defendant Batton Technical Engineering Consultants, Inc. is a Michigan corporation.

10. Defendant Batton Diversified Staffing Solutions is a Michigan corporation.

11. Defendant Hanbon-Caro I, LLC a/k/a Caro I ,LLC is a Michigan limited liability company.

12. Defendant Hanbon -- MI I, LLC d/b/a "Technical Engineering Consultants" is a Michigan limited liability company.

13. Defendant Hanbon -- MI II, Inc. is a Michigan corporation d/b/a Batton Technical Engineering Consultants.

14. Defendant Hanbon -- Marlette, LLC is a Michigan limited liability company.

15. Defendant Hanbon -- PA I, LLC is a Pennsylvania limited liability company.

16. Defendant Hanbon - CT I, LLC is a Connecticut limited liability company.

17. TEC Group, Inc. is a Michigan corporation d/b/a "TEC Group" also d/b/a "TEC - Chrysler."

18. Defendant Deploy HR, Inc. d/b/a "Deploy HR Staffing, Inc." is a Pennsylvania corporation with its principal place of business in Pleasanton, California.

19. Defendant DeployHR, Inc. is a California corporation d/b/a "TEC" also d/b/a "Batton."

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20. CornerStone is ignorant of the true names and capacities of defendants sued herein as Does 1 through 100, inclusive, and therefore sues said defendants by those fictitious names. CornerStone will amend this complaint to allege their true names and capacities when ascertained. CornerStone is informed and believes and thereon alleges that Does 1-50 are "Shell Staffing Companies" and Does 51-100 are "RICO Defendants" which are defined in Paragraph 32 below. CornerStone is informed and believes and thereon alleges that each of the defendants fictitiously named is responsible in some manner for the acts as hereinafter alleged, and that CornerStone's damages as set forth herein were proximately caused by said defendants, and each of them, through their acts as set forth in this complaint. Each reference in this Complaint to "defendant," "defendants," or a specifically named defendant, also refers to all defendants sued under fictitious names.

21. CornerStone is informed and believes, and on that basis alleges, that each of the defendants name herein as Does 1 through 100 was the agent, servant, employee, and representative of one or more of the other defendants, and in so doing the thing hereinafter mentioned, was acting within the scope of its authority as such agent, servant, employee and representative with the permission and consent of said individuals and/or entities.

22. CornerStone is informed and believes, and on that basis alleges, that the individually named defendants and Does 1 through 100 are alter egos of each other. Defendants, in both words and deeds, affirmed and ratified each other's agreements and obligations, and in doing the things hereinafter mentioned, were acting within the scope of their authority as such alter egos with the permission and consent of their respective principals and/or employers.

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ONE CALIFORNIA PLAZA, 37TH FLOOR
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JURISDICTION

23. This action arises under 18 U.S.C. §§ 1030 and 1961 *et seq.*, and federal jurisdiction is appropriate pursuant to 18 U.S.C. § 1964, as hereinafter more fully appears.

INTRADISTRICT ASSIGNMENT

24. Venue is proper in the Northern District of California—Oakland Division because a substantial part of the property is located in, and the events or omissions which gave rise to this complaint occurred in, the county of Alameda. CornerStone has its principal place of business in, and James and Barrera reside in, Pleasanton, California. Also, CornerStone is informed and believes that Deploy HR, Inc. and other defendants have their principal places of business in Pleasanton, California.

ALLEGATIONS COMMON TO ALL CLAIMS

25. CornerStone is a national full service staffing firm that has provided comprehensive staffing solutions to its customers since its formation in 2003.

26. Since CornerStone's formation until March of 2012, James was a CornerStone employee with discretionary managerial authority over CornerStone's day-to-day business operations. Over the course of his employment, James was primarily responsible for, *inter alia*, opening CornerStone branch offices and acquiring other staffing companies on behalf of CornerStone in several different states across the country.

27. At some point, James became dissatisfied with his status as a mere employee of CornerStone and decided that he would take the business of CornerStone for himself.

28. In or about January of 2012, CornerStone discovered that James had developed and operated three schemes in which he used his position at CornerStone

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to personally profit at CornerStone's expense. James' three schemes operated as follows:

Parasite shell companies.

(a) James would open a branch office for CornerStone and secure a profitable customer base. Once the branch was established and profitable, he would surreptitiously form a shell staffing company in his own name that occupied the same CornerStone office space, used the same facilities and phone numbers, etc.—in other words, James' shell company was virtually indistinguishable from CornerStone's branch office, except in name. James secretly used CornerStone's assets to form the shell company, pay its employees, pay its rent, and otherwise fund its operations. Over time, James' shell company acted like a parasite using CornerStone's funding to slowly steal CornerStone's customers at that particular location until eventually it had effectively cut CornerStone out of the market. Then James would contact CornerStone's ownership to advise that he needed to close the branch office because it was no longer profitable or otherwise had lost its client base. In fact, James closed the branch office because his parasite shell company had killed CornerStone's branch office by taking all of its customers and James was collecting all of the profits for himself.

Fake clients.

(b) James would secretly form his own shell company to act as a fake CornerStone client. CornerStone serviced the fake client as it did with ordinary clients by providing temporary employees and payroll services. In fact, James was operating the fake client as his own staffing company and using the CornerStone temporary employees and payroll services to provide staffing services to the fake company's clients. Because CornerStone was

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fronting temporary employee wages, insurance, and paying all overhead expenses, the fake company could offer CornerStone's services to its own clients at grossly reduced rates with short payment terms of 7 to 30 days. CornerStone's payment terms with the fake clients were at least 90 days. Accordingly, James used the disparity in costs and delayed payment terms to personally profit at CornerStone's expense.

Insurance premium manipulation.

(c) James would artificially inflate CornerStone's workers compensation insurance premiums to reduce CornerStone's competitiveness in the marketplace to permit his shell companies to take CornerStone's clients. At millions of dollars per year, one of CornerStone's largest overhead expenses is workers compensation insurance premiums. It is critical that CornerStone accurately report its employee payroll and employee injury claims to its insurers to secure an insurance policy at a cost that is commensurate with the risk. James intentionally submitted insurance applications that omitted significant employee payroll figures. This caused CornerStone's insurers to increase premiums by as much as $1,000,000 annually based on an incorrect payroll-to-injury ratio, and created a risk that CornerStone would not be able to secure workers compensation insurance in the future. Insurance premiums became so high that James attempted to convince CornerStone to purge large portions existing clients to "new businesses" that would, in turn, agree to pay CornerStone a service charge. In fact, these "new businesses" were James' own shell staffing companies and James intended to keep the profits for himself.

29. In the last ten years, James has implemented the fraudulent schemes described above on at least ten different occasions through the following shell

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staffing companies: (a) Batton Technical Engineering Consultants, Inc.; (b) Batton Diversified Staffing Solutions; (c) Hanbon-Caro I, LLC a/k/a Caro I ,LLC; (d) Hanbon—MI I, LLC, d/b/a Technical Engineering Consultants; (e) Hanbon MI II, LLC d/b/a Batton Technical Engineering Consultants; (f) Marlette I, LLC; (g) Hanbon - PA I LLC; (h) Hanbon - CT I LLC; (i) TEC Group, Inc. (j) Deploy HR Inc. d/b/a Deploy HR Staffing, Inc.; (k) DeployHR Inc. d/b/a TEC also d/b/a Batton;[1] and (l) Does 1-50 (these companies are hereafter collectively referred to as the "Shell Staffing Companies"). The Shell Staffing Companies were formed and operate in several different states, including without limitation, California, Arizona, Michigan, Pennsylvania, and Connecticut.

30. James had help. Plaintiff is informed and believes that at all relevant times, Defendants Batton, Mannello, Douzdjian, Santos, and Barrera were aware of James' scheme and actively participated in the formation and operation of the Shell Staffing Companies, and personally profited from James' schemes at CornerStone's expense.

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ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

FIRST CLAIM FOR RELIEF

(Violation of RICO (18 U.S.C. § 1962(a)-(d)) against James, Batton, Mannello, Douzdjian, Santos, Barrera, and Does 51-100)

31. CornerStone hereby incorporates by reference each and every allegation in paragraphs 1 through 30 above, as though fully set forth herein.

32. Defendants James, Batton, Mannello, Santos, Barrera, and Does 51-100 (the "RICO Defendants") are individuals capable of holding a beneficial interest in property, and are "persons" within the meaning of 18 U.S.C § 1962.

33. The Shell Staffing Companies, and each of them, are a multi-state association-in-fact that constitute an enterprise (hereinafter the "Enterprise"), as defined by 18 U.S.C. § 1961, the activities of which affect interstate commerce.

[1] The difference between items (j) and (k) is the space between "Deploy" and "HR."

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The Shell Staffing Companies interact with each other, and their decisions are directed and influenced by the RICO Defendants.

34. The RICO Defendants committed dozens of racketeering acts (as defined by 18 U.S.C. § 1961) over the last ten years. Specifically, the RICO Defendants operated the schemes described in Paragraph 28 above to personally profit at CornerStone's expense. The RICO Defendants perpetrated their fraudulent schemes on CornerStone by intentionally delivering or causing the delivery of false information in interstate commerce through the US Postal Service, email, and telephone in the form of false purchase orders, false invoices, false payroll records, false accounting records, false profit projections, false insurance applications, and deliberate verbal misrepresentations, each instance of which constitutes a violation of 18 U.S.C. §§ 1341 and/or 1343. Also, the operation of the RICO Defendants' schemes necessarily involved the laundering of monetary instruments in violation of 18 U.S.C. § 1956(a)(1) and/or 1956(a)(3).

35. The RICO Defendants violated 18 U.S.C § 1962(a) by using the proceeds derived from their racketeering activity to establish and operate the Enterprise.

36. The RICO Defendants violated 18 U.S.C § 1962(b) by acquiring and maintaining an interest in the Enterprise through their pattern of racketeering activity.

37. As employees of and/or individuals associated with the Enterprise, the RICO Defendants violated 18 U.S.C § 1962(c) by conducting and participating in the Enterprise's affairs through a racketeering activity.

38. The RICO Defendants violated 18 U.S.C § 1962(d) by conspiring to violate 18 U.S.C. §1962, as explained above.

39. As a direct and proximate result of the RICO Defendants' conduct, CornerStone was harmed in an amount to be determined at trial, but which sum is in excess of $10,000,000.

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SECOND CLAIM FOR RELIEF

(Violation of the Computer Fraud & Abuse Act (18 U.S.C. § 1030) against James, Barrera, and Does 51-100)

40. CornerStone hereby incorporates by reference each and every allegation in paragraphs 1 through 39 above, as though fully set forth herein.

41. On or about March 23, 2012, Barrera and James knowingly and with the intent to defraud CornerStone in furtherance of the schemes described in Paragraphs 28-30 above, accessed CornerStone's nationwide network of computer systems without authorization, or in a matter that exceeded their authorized access, and by means of such conduct furthered their intended fraud by initiating denial of service attacks on the CornerStone computer servers to give the Shell Staffing Companies and the RICO Defendants a competitive advantage over CornerStone in the marketplace. Additionally, Barrera and James knowingly caused the transmission of a program, information, code, or command, or otherwise intentionally accessed Cornerstone's computers without authorization, and as a result of such conduct, intentionally or recklessly caused damage to CornerStone's computers.

42. James conspired with Barrera and otherwise attempted to defraud CornerStone in the manner described above.

43. As a direct and proximate result of the defendants' conduct, CornerStone was harmed in an amount to be determined at trial, but which sum is in excess of $10,000.

THIRD CLAIM FOR RELIEF

(Breach of Duty against James)

44. CornerStone hereby incorporates by reference each and every allegation in paragraphs 1 through 43 above, as though fully set forth herein.

45. As an employee of CornerStone, James owed CornerStone a duty of loyalty during the term of his employment not to act contrary to the interests of his

employer. Moreover, as the general manager of CornerStone's headquarters in Pleasanton, California, with discretional managerial authority over the affairs of the Pleasanton location, James owed fiduciary duties to CornerStone.

46. James breached his duties of loyalty and his fiduciary duties to CornerStone by, *inter alia,* the following acts: James breached his duties of loyalty and his fiduciary obligations by operating the schemes described in Paragraphs 28-30 above for purpose of personally profiting at CornerStone's expense. James violated his duty of loyalty as an existing CornerStone employee in suborning the other employees to leave CornerStone simultaneously; James breached his fiduciary duties to CornerStone by using his knowledge of the then-existing employees' compensation so as to make enticing offers to them to quit their employment with CornerStone and work for Shell Staffing Companies at a higher rate of compensation. James further breached his duties of loyalty and his fiduciary obligations as a manager of CornerStone's Pleasanton office by hiding the extent of the employee defections that he engineered from CornerStone so that the set-up of the Shell Staffing Companies would be a fait accompli. James, working with Shell Staffing Companies, further acted to guarantee the demise of CornerStone and its prospects of continuing advantageous economic relations by stripping the office of its files and records, and by forwarding telephone calls to the Shell Staffing Companies.

47. CornerStone did not give informed consent to James' conduct.

48. As a direct and proximate result of James' conduct, CornerStone was harmed in an amount to be determined at trial, but which sum is in excess of $10,000,000.

49. James' conduct was fraudulent and malicious, and accordingly, in addition to actual damages, CornerStone is entitled to recover punitive and exemplary damages in an amount sufficient to punish James and to discourage him from acting in a similar manner in the future.

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

FOURTH CLAIM FOR RELIEF

(Usurpation of Corporate Opportunity against James)

50. CornerStone hereby incorporates by reference each and every allegation in paragraphs 1 through 49 above, as though fully set forth herein.

51. James is a CornerStone employee with discretionary managerial control over its day-to-day business operations.

52. Beginning in about 2009, James, by virtue of his position as a CornerStone manager, became aware of various opportunities available to CornerStone in several states to acquire new customers in need of staffing services. These opportunities belonged to CornerStone.

53. James breached his fiduciary duty to CornerStone by usurping CornerStone's opportunities for his own personal gain, as described in Paragraphs 28-30 above.

54. As a direct and proximate result of James' conduct, CornerStone was harmed in an amount to be determined at trial, but which sum is in excess of $10,000,000.

55. James' conduct was fraudulent and malicious, and accordingly, in addition to actual damages, CornerStone is entitled to recover punitive and exemplary damages in an amount sufficient to punish James and to discourage him from acting in a similar manner in the future.

FIFTH CLAIM FOR RELIEF

(Fraud against all James and Does 51-100)

56. CornerStone hereby incorporates by reference each and every allegation in paragraphs 1 through 55 above, as though fully set forth herein.

57. James is a CornerStone employee with discretionary managerial control over its day-to-day business operations. Beginning in about 2009, James and the other defendants knowingly acted against CornerStone's interests by

operating the schemes described in Paragraphs 28-30 above for purpose of personally profiting at CornerStone's expense.

58. To further his unlawful schemes, James represented to Mary Anderson (CornerStone's owner) in business records, emails, telephone conversations, and in-person discussions that (a) CornerStone branch offices needed to be closed because they had lost their customers or were otherwise not profitable; (b) James had arranged to loan CornerStone money to companies seeking "cheap money" to acquire additional profit sources and realize an annual rate of about 21%; (c) CornerStone's workers compensation insurance premiums were so high that CornerStone needed to purge existing clients to maintain its competitiveness in the marketplace, or risk an uninsurable level of payroll.

59. James' representations were false. In fact, (a) James wanted to close CornerStone branches because he had formed his own shell companies that had siphoned off CornerStone customers at those branch locations; (b) the companies seeking "cheap money" were James' own companies and he was using CornerStone's "loans" to fund his competing staffing operations while returning CornerStone's investment at a rate of 0-1.5%; (c) James had intentionally submitted false insurance applications that omitted significant payroll figures to artificially inflate CornerStone's insurance premiums so that his own companies could take CornerStone's business.

60. James knew that his representations were false at the time they were made, or made them recklessly without regard for their truth.

61. James intended that CornerStone rely on his representations.

62. CornerStone reasonably relied on James' representations by permitting James to close branch offices and unknowingly loan money to James' competing companies.

63. As a direct and proximate result of James' conduct, CornerStone was harmed in an amount to be determined at trial, but which sum is in excess of

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

$10,000,000.

64. James' conduct was fraudulent and malicious, and accordingly, in addition to actual damages, CornerStone is entitled to recover punitive and exemplary damages in an amount sufficient to punish James and to discourage him from acting in a similar manner in the future.

SIXTH CLAIM FOR RELIEF

(Intentional Interference with Contractual Relations against all Defendants)

65. CornerStone hereby incorporates by reference each and every allegation in paragraphs 1 through 64 above, as though fully set forth herein.

66. Prior to defendants' implementation of the schemes described in Paragraphs 28-30 above, CornerStone had numerous contracts with various companies to provide staffing services.

67. Defendants were aware of the existence of these contracts, and intended to disrupt their performance. Defendants prevented the performance of these contracts by transferring CornerStone's rights under the contract to Defendants or entities owned or operated by Defendants.

68. As a direct and proximate result of defendants' conduct, CornerStone was harmed in an amount to be determined at trial, but which sum is in excess of $10,000,000.

69. Defendants' conduct was fraudulent and malicious, and accordingly, in addition to actual damages, CornerStone is entitled to recover punitive and exemplary damages in an amount sufficient to punish defendants and to discourage them from acting in a similar manner in the future.

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
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300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

SEVENTH CLAIM FOR RELIEF

(Conversion against all Defendants)

70. CornerStone hereby incorporates by reference each and every allegation in paragraphs 1 through 69 above, as though fully set forth herein.

71. CornerStone owned, possessed, or had a right to possess its corporate funds and assets.

72. Defendants intentionally and substantially interfered with CornerStone's property by taking possession of millions of dollars of CornerStone's funds for their own personal use without CornerStone's consent.

73. As a direct and proximate result of defendants' conduct, CornerStone was harmed in an amount to be determined at trial, but which sum is in excess of $10,000,000.

74. Defendants' conduct was fraudulent and malicious, and accordingly, in addition to actual damages, CornerStone is entitled to recover punitive and exemplary damages in an amount sufficient to punish defendants and to discourage them from acting in a similar manner in the future.

EIGHTH CLAIM FOR RELIEF

(Unfair Competition in Violation of *Cal. Bus. & Prof. Code* § 17200 *et seq.* against all Defendants)

75. CornerStone hereby incorporates by reference each and every allegation in paragraphs 1 through 74 above, as though fully set forth herein.

76. Defendants are knowingly engaged in unlawful, fraudulent, and unfair business practices through their implementation and participation in the schemes described in Paragraphs 28-30 above.

77. As a direct and proximate result of defendants' conduct, defendants were unjustly enriched in an amount to be determined at trial, but which sum is in excess of $10,000,000.

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

NINTH CLAIM FOR RELIEF

(Misappropriation of Trade Secrets against James, the Shell Staffing Companies, and Does 1-50)

78. CornerStone hereby incorporates by reference each and every allegation in paragraphs 1 through 77 above, as though fully set forth herein.

79. CornerStone's customer list and applicant customer list, and the information related thereto constitute trade secrets of CornerStone in that:

(a) Information concerning customers and prospective customers is in fact the life blood of CornerStone's business; such information is costly to accumulate and has independent economic value because it is not generally known to the public; in order to accumulate this data a competitor would have to expend great sums of money; and by counseling its employees on the confidential nature of the employer customer list, applicant customer list and information related thereto and by restricting access to same in its offices, CornerStone has taken efforts that are reasonable under the circumstances to maintain the secrecy of its trade secrets; and,

(b) California Business & Professions Code Section 16607 expressly defines CornerStone's applicant list and employer list as trade secrets under California law.

80. Defendants misappropriated CornerStone's trade secrets by (a) acquiring them by theft, bribery, misrepresentation, espionage, in breach of a duty to maintain their secrecy, and/or other improper means; and (b) disclosing and using them without CornerStone's consent, and knowing or having reason to know at the time they were disclosed that they were acquired by theft, bribery, misrepresentation, espionage, in breach of a duty to maintain their secrecy, and/or other improper means, as more particularly described in Paragraphs 28-30 above. As a result of the defendants' activities in misappropriating CornerStone's trade

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

secrets, CornerStone has been damaged by a loss of business in an amount according to proof. CornerStone is informed and believes that such an amount exceeds the jurisdictional limit of this Court. CornerStone is further informed and believes that defendants, and each of them, have profited by their misappropriation of CornerStone's trade secrets and CornerStone seeks recovery of the unjust enrichment caused by such misappropriation.

81. The acts of the defendants herein described, the use of the aforesaid valuable trade secrets and confidential information by defendants and solicitation of applicants and employers who are identified at great cost and expense by CornerStone are causing, and unless restrained will continue to cause irreparable harm, injury and damage to CornerStone in that it is now and will be extremely difficult, if not impossible, to ascertain the amount of monetary damages that will afford CornerStone adequate relief. Furthermore, unless restrained, CornerStone is informed and believes that the defendants will continue to make contact with and place applicants of CornerStone, forever removing said applicants from the job pool, and will thereby forever deprive CornerStone of the benefit of its efforts in locating and identifying said applicants and in generating future profits and benefits therefrom unless and until enjoined by this Court.

82. CornerStone is informed and believes and based thereon alleges that the activities of defendants, and each of them, in misappropriating CornerStone's trade secrets was willful and malicious and accordingly seeks an award of exemplary damages and attorney fees under Civil Code Sections 3426.3 and 3426.4.

WHEREFORE, CornerStone demands judgment against defendants as follows:

On The Rico Claims:

1. For compensatory and treble damages according to proof, pursuant to

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

18 U.S.C. § 1964(c);

2. For pre-judgment interest;
3. For attorneys' fees and costs of suit;
4. For any further relief the Court may deem proper.

On The CFAA Claims:

5. For compensatory according to proof, pursuant to 18 U.S.C. § 1030(g);
6. For appropriate injunctive and/or other equitable relief; pursuant to 18 U.S.C. § 1030(g);
7. For any further relief the Court may deem proper.

On The Pendent State Law Claims:

8. For damages according to proof;
9. For disgorgement of profits and property lost through defendants' unfair competition;
10. For pre-judgment interest;
11. For attorneys' fees and costs of suit;
12. For exemplary and punitive damages; and
13. For appropriate injunctive and declaratory relief, including without limitation, an injunction barring defendants use of CornerStone's trade secrets.
14. For any further relief the Court may deem proper.

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3147

DATED: March 27, 2012

HILL, FARRER & BURRILL LLP
Neil D. Martin
Clayton J. Hix

By: ______________________
Neil D. Martin
Attorneys for Plaintiff
CornerStone Staffing Inc.

HILL, FARRER & BURRILL LLP
A LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
ONE CALIFORNIA PLAZA, 37TH FLOOR
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DEMAND FOR JURY TRIAL

Pursuant to Local Rule 3-6(a), CornerStone hereby demands a trial of its claims by jury.

DATED: March 27, 2012

HILL, FARRER & BURRILL LLP
Neil D. Martin
Clayton J. Hix

By: ______________________
Neil D. Martin
Attorneys for Plaintiff
CornerStone Staffing Inc.

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